

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 299561 TOSEC 320124

47

ORIGIN SS-15

INFO OCT-01 ISO-00 ONY-00 SSO-00 CCO-00 /016 R

66011

DRAFTED BY: S/S-O DMACK

APPROVED BY: S/S- O DMACK

----- 064577

P 092005Z DEC 76 ZFF4

FM SECSTATE WASHDC

TO USDEL SECRETARY PRIORITY

LIMITED OFFICIAL USE STATE 299561 TOSEC 320124

LIMDIS

FOL TEL SENT ACTION SECSTATE FROM ROME DTD 09 DEC 1976 QTE

LIMITED OFFICIAL USE ROME 20089

LIMDIS - DISTRIBUTION TO S,D,E,P,C,EB,EUR,S/P, TREASURY NSC
AND FRB ONLY

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ECONOMIC SITREP NO. 28, THURSDAY, DECEMBER 9

REF: ROME 20018

1. SUMMARY. ANDREOTTI AIRPORT STATEMENT UPON RETURN FROM U.S. VISIT EXPRESSED SATISFACTION. LABOR CONFEDERATION EXECUTIVE COMMITTEE TO CONSIDER SEVERING LINK OF COST-OF-LIVING ESCALATOR TO SEVERANCE PAY COMPUTATIONS. ITALIAN REPAYMENT OF U.K. LOAN WAS MADE ON DECEMBER 6. LIRA STEADY AS DOLLAR DEMAND REMAINS LOW. END SUMMARY.

2. ANDREOTTI RETURNS FROM U.S. PRIMIN ANDREOTTI AT AIRPORT THIS MORNING UPON RETURN FROM U.S. VISIT, STATED THAT HE BELIEVED, "THAT THE POLITICAL AND ECONOMIC AIMS OF HIS VISIT TO THE U.S. AT THE INVITATION OF PRESIDENT FORD HAD BEEN REALIZED. THEY HAD
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 299561 TOSEC 320124

USED THE TWO AND A HALF DAYS, MINUTE BY MINUTE, IN A RATIONAL

MANNER ACCORDING TO A VERY CAREFULLY PREPARED SCHEDULE." HE BELIEVED THAT, "THE RESULTS ARE POSITIVE." PRESS COVERAGE OF VISIT REMAINED HIGH WITH EXTENSIVE QUOTES OF SIMON'S STATEMENT OVERTLY IMPLYING THE AVAILABILITY OF U.S. ASSISTANCE IF REQUIRED BECAUSE OF HEAVY SPECULATIVE ATTACKS ON THE LIRA WHEN THE PRESENT EXCHANGE CONTROLS ARE REMOVED. TONE OF PRESS COMMENTARY IS THAT ANDREOTTI SUCCESSFULLY DEMONSTRATED THAT ITALY HAS DESIGNED AND INSTITUTED A SOUND STABILIZATION PROGRAM WHICH WILL EVENTUALLY LEAD TO A SUCCESSFUL RECOVERY OF THE ITALIAN ECONOMIC SYSTEM.

3. UNION CONFEDERATION MAY DISCUSS SEVERANCE PAY REDUCTION. EXECUTIVE COMMITTEE OF CONFEDERATION OF UNIONS (CCU) WHICH BEGAN MEETING THIS AFTERNOON, WILL DISCUSS POSSIBILITY OF WILLINGNESS TO CONSIDER BREAKING THE LINK BETWEEN WAGE COST-OF-LIVING ESCALATOR AND THE COMPUTATION OF SEVERANCE PAYMENTS. SEVERANCE PAYMENTS, GENERALLY COMPUTED AS APPROXIMATELY ONE FULL MONTH SALARY TIMES THE NUMBER OF YEARS OF EMPLOYMENT, INCLUDE COST-OF-LIVING ADJUSTMENTS IN THE COMPUTATION OF THE SALARY. SAVINGS TO INDUSTRIAL SECTOR ALONE ESTIMATED AT APPROXIMATELY 2 PERCENT OF LABOR COST, OR 700 BILLION LIRE. EXTENSIVE TO ENTIRE SALARIED LABOR FORCE (EXCLUSIVE OF PUBLIC ADMINISTRATION EMPLOYEES) WOULD SAVE APPROXIMATELY 500 BILLION LIRE. TOTAL SAVINGS IN LABOR COSTS COULD, THEREFORE, APPROXIMATE 1,200 BILLION LIRE. PROPOSAL TO EXTEND COST-OF-LIVING ESCALATOR PAYMENTS SEMINNUALLY RATHER THAN CURRENT QUARTERLY BASIS HAS APPARENTLY BEEN PUT ASIDE, THUS RETAINING PRINCIPLE OF "UNTOUCHABILITY" OF THE ESCALATOR AND BRINGING ABOARD SOME OF THE MOST OUTSPOKEN DEFEDERS OF ITS INVIOABILITY. LATE WIRE SERVICE REPORTS INDICATE THAT THE UNION CONFEDERATION WILL REQUEST A DELAY OF THEIR NEXT SCHEDULED MEETING WITH CONFINDUSTRIA (DECEMBER 13) UNTIL AFTER ANOTHER ROUND OF MEETINGS WITH THE POLITICAL PARTIES AND THEIR MEETING WITH THE GOVERNMENT ON DECEMBER 15.

4. FOREIGN EXCHANGE MARKET. LIRA/DOLLAR RATE 865.325 ON DECEMBER 9, COMPARED TO 865.35 ON DECEMBER 7. MARKET VOLUME TODAY ABOUT DOUBLE NORMAL LEVEL BECAUSE OF HOLIDAY YESTERDAY. ON DECEMBER 6 ITALY PAID OFF U.K. LOAN OF \$486 MILLION, WHICH WAS DUE TODAY, DECEMBER 9. WITH U.K. REPAYMENT, ITALY COMPLETED PRINCIPAL REPAYMENTS ON ALL COMPENSATORY BORROWINGS DUE IN 1976 IN AMOUNT OF \$1,360 MILLION, I.E., \$486 MILLION TO THE U.K., \$500 MILLION LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 299561 TOSEC 320124

TO BUNDESBANK, AND \$374 MILLION DUE ON EUROMARKET BANKS' TERM LOANS. IN ADDITION, ITALY PAID ABOUT \$1 BILLION IN INTEREST ON COMPENSATORY LOANS IN 1976.BEAUDRY UNQTE ROBINSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, WAGES, HEAD OF GOVERNMENT VISITS, PERSONNEL SEPARATIONS, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 DEC 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE299561
Document Source: CORE
Document Unique ID: 00
Drafter: O DMACK
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760455-0554
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761257/aaaabxbu.tel
Line Count: 110
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: 76 ROME 20018
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by BoyleJA>; APPROVED <09 SEP 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC SITREP NO. 28, THURSDAY, DECEMBER 9
TAGS: EFIN, OVIP, ELAB, IT, US, (ANDREOTTI, GIULIO)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006